

Village of Kingston

Tuscola County, Michigan

Audited Financial Report
February 29, 2004

Lehn L. King

Certified Public Accountant
Marlette, Michigan

AUDITING PROCEDURES REPORT

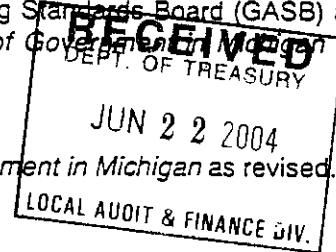
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Local Government Name (Specify) <input type="checkbox"/> City <input type="checkbox"/> Township <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other Village of Kingston		County Tuscola	
Audit Date February 29, 2004	Opinion Date May 15, 2004	Date Accountant Report Submitted to State: May 15, 2004	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government* as prescribed by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.



We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) Lehn L. King			
Street Address 3078 S. Main Street	City Marlette	State MI	ZIP 48453
Accountant Signature <i>Lehn L. King</i>			

Village of Kingston
Annual Financial Report
For The Fiscal Year Ended February 29, 2004

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Members of the Village Council
Village of Kingston
Tuscola County, Michigan

Independent Auditor's Report

I have examined the General Purpose Financial Statements of the Village of Kingston as of February 29, 2004, as listed in the Table of Contents, for the year then ended. These financial statements are the responsibility of the Village's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant statement presentation. I believe that my audit provides a reasonable basis for my opinion.

As Described in Note 1, the Village of Kingston, prepares its financial statements on the cash basis, which is a comprehensive basis of accounting other than generally accepted principles.

The Village has not maintained a record of its general fixed assets, and accordingly, a statement of general fixed assets, required by generally accepted accounting principles, is not included in the general purpose financial statements.

In my opinion, except for the omission of the information mentioned in the preceding paragraphs, the accompanying statements present fairly the General Purpose Financial Statements of the Village of Kingston at February 29, 2004 and the revenue it received and expenditures it paid for the year then ended on the basis of accounting described in Note 1.

My examination was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining and individual fund financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the General Purpose Financial Statements. The information has been subjected to the auditing procedures applied in the examination of the General Purpose Financial Statements, and in my opinion, is fairly stated in all material respects in relation to the General Purpose Financial Statements taken as a whole.

Lehn King

Certified Public Accountant

May 15, 2004

**Combined Statements -
Overview**
(General Purpose Financial Statements)

Village of Kingston
Combined Balance Sheet - All Fund Types and Account Groups
Cash Basis
February 29, 2004

Exhibit L

Assets	Governmental Fund Types			Proprietary Fund Types			Account Groups		Totals (Memorandum Only) 2/29/2004
	General Fund	Special Revenue Funds		Sewer Fund	Water Fund		General Long-Term Debt		
						Total			
Cash in Checking	\$ 19,460	\$ 38,876	\$ 13,128	\$ 8,691	\$ 21,819	\$ 0	\$ 80,155		
Savings & Certificates of Deposit	183,935	189,828	162,809	25,876	188,685	0	562,448		
Due from Water Fund	20,000	0	0	0	0	0	20,000		
Amount to be Provided for Retirement of Long-Term Debt	0	0	0	0	0	196,854	196,854		
Property, Plant, & Equipment, Net of Accumulated Depreciation	0	0	274,681	263,125	537,806	0	537,806		
Total Assets	\$ 223,395	\$ 228,704	\$ 450,618	\$ 297,692	\$ 748,310	\$ 196,854	\$ 1,397,263		
Liabilities & Fund Equity									
Liabilities									
Payroll Taxes Payable	\$ 1,347	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,347		
Due to General Fund	0	0	0	20,000	20,000	0	20,000		
Installment Note Payable	0	0	0	0	0	196,854	196,854		
Total Liabilities	1,347	0	0	20,000	20,000	196,854	218,201		
Fund Equity									
Contributed Capital	0	0	426,435	154,935	581,370	0	581,370		
Retained Earnings - Unreserved	0	0	24,183	122,757	146,940	0	146,940		
Fund Balance:									
Undesignated - Unreserved	222,048	228,704	0	0	0	0	450,752		
Total Fund Equity	222,048	228,704	450,618	277,692	728,310	0	1,179,062		
Total Liab. & Fund Equity	\$ 223,395	\$ 228,704	\$ 450,618	\$ 297,692	\$ 748,310	\$ 196,854	\$ 1,397,263		

The notes are an integral part of the statements.

Village of Kingston
 Combined Statement of Revenues, Expenditures &
 Changes in Fund Balances - Cash Basis
 All Governmental Fund Types
 For The Year Ended February 29, 2004

Exhibit 2

<u>Revenues</u>	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Totals (Memorandum Only)</u>
Current Property Taxes	\$ 43,758	\$ 25,493	\$ 69,251
State Shared Revenue	59,196	33,205	92,401
Charges for Services	20,385	45,855	66,240
Interest Earnings	1,683	6,998	8,681
<u>Miscellaneous Revenues</u>			
Ordinance Fines	338	0	338
Reimbursements/Miscellaneous	3,278	0	3,278
Contributions / Fund Raising	7,729	6,561	14,290
Hall / Tower Rental	5,780	0	5,780
Cable TV Franchise Fee	802	0	802
Equipment Rental	12,633	0	12,633
County Bridge Tax	0	6,478	6,478
Vehicle Inspection Fee	8,950	0	8,950
<u>Total Miscellaneous Revenues</u>	<u>39,510</u>	<u>13,039</u>	<u>52,549</u>
 <u>Total Revenues</u>	 <u>164,532</u>	 <u>124,590</u>	 <u>289,122</u>

The notes are an integral part of the statements.

Village of Kingston
Combined Statement of Revenues, Expenditures &
Changes in Fund Balances - Cash Basis
All Governmental Fund Types
For The Year Ended February 29, 2004

Exhibit 2

	General Fund	Special Revenue Funds	Totals (Memorandum Only)
<u>Expenditures</u>			
<u>General Government</u>			
Legislative	\$ 16,217	\$ 0	\$ 16,217
Clerk	18,397	0	18,397
Treasurer	3,626	0	3,626
Village Hall & Grounds	30,871	0	30,871
Elections	0	0	0
Community Prom. / Hist. Pres.	8,980	0	8,980
Parks & Recreation	5,906	0	5,906
<u>Total General Government</u>	<u>83,997</u>	<u>0</u>	<u>83,997</u>
<u>Public Safety</u>			
Fire Protection	0	118,920	118,920
Crossing Guard	2,926	0	2,926
Police	77,323	0	77,323
Street Lights	0	11,322	11,322
Sanitation	14,036	0	14,036
Zoning / Master Plan	645	0	645
<u>Total Public Safety</u>	<u>94,930</u>	<u>130,242</u>	<u>225,172</u>
<u>Highways, Streets, & Bridges</u>	<u>0</u>	<u>41,042</u>	<u>41,042</u>
<u>Total Expenditures</u>	<u>178,927</u>	<u>171,284</u>	<u>350,211</u>
<u>Excess of Revenues Over (Under) Expenditures</u>	(14,395)	(46,694)	(61,089)
<u>Operating Transfers In (Out)</u>	<u>(12,019)</u>	<u>12,019</u>	<u>0</u>
<u>Excess of Revenues & Operating Transfers In Over Expenditures & Operating Transfers Out</u>	(26,414)	(34,675)	(61,089)
<u>Fund Balances - March 1, 2003</u>	<u>248,462</u>	<u>263,379</u>	<u>511,841</u>
<u>Fund Balances - February 29, 2004</u>	<u>\$ 222,048</u>	<u>\$ 228,704</u>	<u>\$ 450,752</u>

The notes are an integral part of the statements.

Village of Kingston
Combined Statement of Revenues, Expenditures &
Changes in Fund Balances - Cash Basis
Actual Compared to Budget - All Governmental Fund Types
For The Year Ended February 29, 2004

<u>Revenues</u>	<u>General Fund</u>			<u>Special Revenue Funds</u>			<u>Totals (Memorandum Only)</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Current Property Taxes	\$ 43,000	\$ 43,758	\$ 758	\$ 25,300	\$ 25,493	\$ 193	\$ 68,300	\$ 69,251	\$ 951
State Shared Revenue	59,540	59,196	(344)	32,675	33,205	530	92,215	92,401	186
Charges for Services	20,170	20,385	215	45,575	45,855	280	65,745	66,240	495
Interest Earnings	1,110	1,683	573	6,710	6,998	288	7,820	8,681	861
<u>Miscellaneous Revenues</u>									
Ordinance Fines	(200)	338	538	0	0	0	(200)	338	538
Reimbursements / Miscellaneous	3,235	3,278	43	0	0	0	3,235	3,278	43
Contributions	6,825	7,729	904	4,030	6,561	2,531	10,855	14,290	3,435
County Road / Bridge Tax	0	0	0	6,325	6,478	153	6,325	6,478	153
Hall / Tower Rental	4,780	5,780	1,000	0	0	0	4,780	5,780	1,000
Cable TV Franchise Fee	900	802	(98)	0	0	0	900	802	(98)
Equipment Rental	12,500	12,633	133	0	0	0	12,500	12,633	133
Vehicle Inspection Fee	8,700	8,950	250	0	0	0	8,700	8,950	250
<u>Total Miscellaneous Revenues</u>	<u>36,740</u>	<u>39,510</u>	<u>2,770</u>	<u>10,355</u>	<u>13,039</u>	<u>2,684</u>	<u>47,095</u>	<u>52,549</u>	<u>5,454</u>
<u>Total Revenues</u>	<u>160,560</u>	<u>164,532</u>	<u>3,972</u>	<u>120,615</u>	<u>124,590</u>	<u>3,975</u>	<u>281,175</u>	<u>289,122</u>	<u>7,947</u>

The notes are an integral part of the statements.

Village of Kingston
 Combined Statement of Revenues, Expenditures &
 Changes in Fund Balances - Cash Basis
 Actual Compared to Budget - All Governmental Fund Types
 For The Year Ended February 29, 2004

<u>Expenditures</u>	<u>General Fund</u>			<u>Special Revenue Funds</u>			<u>Totals (Memorandum Only)</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
<u>General Government</u>									
Legislative Clerk	\$ 16,670	\$ 16,217	\$ 453	\$ 0	\$ 0	\$ 0	\$ 16,670	\$ 16,217	\$ 453
Treasurer	19,898	18,397	1,501	0	0	0	19,898	18,397	1,501
Village Hall & Grounds	4,907	3,626	1,281	0	0	0	4,907	3,626	1,281
Elections	32,997	30,871	2,126	0	0	0	32,997	30,871	2,126
Community Promotion / Hist. Preservation	55	0	55	0	0	0	55	0	55
Parks & Recreation	10,603	8,980	1,623	0	0	0	10,603	8,980	1,623
Total General Government	7,277	5,906	1,371	0	0	0	7,277	5,906	1,371
	92,407	83,997	8,410	0	0	0	92,407	83,997	8,410
<u>Public Safety</u>									
Fire Protection	0	0	0	121,682	118,920	2,762	121,682	118,920	2,762
Crossing Guard	3,423	2,926	497	0	0	0	3,423	2,926	497
Police	79,287	77,323	1,964	0	0	0	79,287	77,323	1,964
Street Lights	0	0	0	22,050	11,322	10,728	22,050	11,322	10,728
Sanitation	14,200	14,036	164	0	0	0	14,200	14,036	164
Zoning / Master Plan	2,483	645	1,838	0	0	0	2,483	645	1,838
Total Public Safety	99,393	94,930	4,463	143,732	130,242	13,490	243,125	225,172	16,115
<u>Highways, Streets, & Bridges</u>									
Total Expenditures	191,800	178,927	12,873	53,478	41,042	12,436	53,478	41,042	12,436
	(31,240)	(14,395)	16,845	(76,595)	(46,694)	29,901	(107,835)	(61,089)	46,746
Operating Transfers In (Out)	0	(12,019)	(12,019)	(15,733)	12,019	27,752	(15,733)	0	15,733
<u>Excess of Revenues Over (Under) Expenditures</u>									
<u>Excess of Revenues & Operating Transfers In Over Expenditures & Operating Transfers Out</u>	(31,240)	(26,414)	4,826	(92,328)	(34,675)	57,653	(123,568)	(61,089)	62,479
<u>Fund Balances - March 1, 2003</u>	31,240	248,462	217,222	76,595	263,379	186,784	107,835	511,841	404,006
<u>Fund Balances - February 29, 2004</u>	\$ 0	\$ 222,048	\$ 222,048	\$ (15,733)	\$ 228,704	\$ 244,437	\$ (15,733)	\$ 450,752	\$ 466,485

The notes are an integral part of the statements.

Village of Kingston
Combined Statement of Revenues, Expenditures &
Changes in Retained Earnings - Cash Basis
Proprietary Fund Types
For The Year Ended February 29, 2004

Exhibit 4

	Proprietary Fund Types		Totals
	Sewer Fund	Water Fund	(Memorandum Only)
<u>Operating Revenues</u>			
Property Taxes	\$ 0	\$ 8,497	\$ 8,497
Water Charges	0	28,710	28,710
Sewer Charges	28,431	0	28,431
<u>Total Operating Revenues</u>	<u>28,431</u>	<u>37,207</u>	<u>65,638</u>
<u>Operating Expenses</u>			
Salaries & Wages	7,254	7,833	15,087
Operating Supplies / Chemicals / Testing	12,443	3,054	15,497
Insurance	764	1,209	1,973
Utilities	1,670	2,466	4,136
Equipment Rental	1,025	1,697	2,722
Fringe Benefits - FICA / Health Insurance	1,333	1,572	2,905
Depreciation	12,449	10,983	23,432
Miscellaneous	633	1,045	1,678
Repairs & Maintenance	4,315	6,274	10,589
<u>Total Operating Expenses</u>	<u>41,886</u>	<u>36,133</u>	<u>78,019</u>
<u>Operating Income (Loss)</u>	<u>(13,455)</u>	<u>1,074</u>	<u>(12,381)</u>
<u>Non-Operating Revenues</u>			
Interest Earnings	2,774	221	2,995
Miscellaneous	285	95	380
<u>Total Non-Operating Revenues</u>	<u>3,059</u>	<u>316</u>	<u>3,375</u>
<u>Net Income (Loss)</u>	<u>(10,396)</u>	<u>1,390</u>	<u>(9,006)</u>
<u>Retained Earnings - March 1, 2003</u>	<u>34,579</u>	<u>121,367</u>	<u>155,946</u>
<u>Retained Earnings - February 29, 2004</u>	<u>\$ 24,183</u>	<u>\$ 122,757</u>	<u>\$ 146,940</u>

The notes are an integral part of the statements.

Village of Kingston
Combined & Combining Statement of Cash Flows
All Proprietary Fund Types
(Indirect Method)
For The Year Ended February 29, 2004

Exhibit 5

	Proprietary Fund Types		
	Sewer Fund	Water Fund	Totals (Memorandum Only)
<u>Cash Flows from Operating Activity</u>			
Net Income (Loss)	\$ (10,396)	\$ 1,390	\$ (9,006)
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:			
Depreciation	12,449	10,983	23,432
Changes in Operating Assets and Liabilities: Due to Other Funds	<u>0</u>	<u>0</u>	<u>0</u>
<u>Net Cash Provided By Operating Activity</u>	2,053	12,373	14,426
<u>Cash Flows From Investing Activities</u>			
Purchases of Fixed Assets	0	0	0
<u>Cash Flows From Financing Activities</u>			
Increase in Contribution in Aid of Construction	<u>0</u>	<u>0</u>	<u>0</u>
<u>Net Increases (Decrease) in Cash and Cash Equivalents</u>	2,053	12,373	14,426
<u>Cash and Cash Equivalents - Beginning of year</u>	<u>173,884</u>	<u>22,195</u>	<u>196,079</u>
<u>Cash and Cash Equivalents - End of year</u>	<u>\$ 175,937</u>	<u>\$ 34,568</u>	<u>\$ 210,505</u>

The notes are an integral part of the statements.

Village of Kingston
Notes To Financial Statements
For Year Ended February 29, 2004

The accounting methods and procedures adopted by the Village of Kingston, Tuscola County, Michigan, conform to Generally Accepted Accounting Principles as applied to governmental entities. The following notes to the financial statements are an integral part of the Villages Comprehensive Annual Financial Report.

1. Summary of Significant Accounting Policies

Financial Reporting Entity

The Village was incorporated under the laws of the State of Michigan in 1893 and operates under a council form of government. As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the Village (the primary government) and its component units. The component units discussed below are included in the Village reporting entity because of the significance of their operational or financial relationships with the Village.

Component Units - In accordance with generally accepted accounting principles, there are no component units of Government required to be included in the Financial Reporting Entity either as blended component units or discretely presented component units.

Basis of Presentation - Fund Accounting - The accounts of the Village are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The Village has created several types of funds and a number of discrete funds within each fund type. Each fund is accounted for by a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures/expenses. The individual funds account for the governmental resources allocated to them for the purpose of carrying on specific activities in accordance with laws, regulations, or other restrictions.

The funds are grouped into fund types and generic funds as described below:

Governmental Fund Types - These are the funds through which most governmental functions typically are financed. The funds included in this category are as follows:

General fund: This fund is established to account for resources devoted to financing the general services that the Village performs for its citizens. General tax revenues and other sources of revenue used to finance the fundamental operations of the Village are included in this fund. The fund is charged with all costs of operating the government for which a separate fund has not been established.

Special Revenue funds: The Special Revenue Funds are used to account for the proceeds of specific revenue resources (other than assessments or expendable trusts) that are legally restricted to expenditures for specified purposes. These funds include: Major Streets, Local Streets, Voted Streets and Fire Protection.

Proprietary Fund Types - These funds account for operations that are organized to be self-supporting through user charges. The funds included in this category are the Enterprise Funds.

Enterprise Funds: These funds are established to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent is that costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Account Groups - In addition to the broad types of governmental funds, the City also maintains the account group as described below:

General Long-Term Debt Account Group: This account group is established to account for the City's

Village of Kingston
Notes To Financial Statements
For Year Ended February 29, 2004

long-term debt that will be financed from general governmental resources.

Basis of Accounting - Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied. The Village utilizes the cash basis of accounting for all funds.

Budgetary Data - The Village follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to March 1, the Village Clerk submits to the Village Council a proposed operating budget for the fiscal year commencing March 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior March 1, the budget is legally enacted.
4. The budget is used by the Village Council as a management tool during the year for all budgetary funds. The budgets are adopted on a cash basis which is not consistent with generally accepted accounting principles. Budgetary control is exercised at the departmental level.
5. Budget amounts are as originally adopted, or as amended by the Village Council. Individual amendments were not material in relation to the original appropriations which were amended.

Cash - The Village does not pool cash resources of its various funds to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the cash accounts is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest-bearing securities and disclosed as part of the Village's investments.

Investments - Debt securities are valued at cost since it is generally the policy of the Village to hold such investments until they mature.

Due To and Due From Other Funds - Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed.

Inventory - Inventories and supplies held by the Water Fund and the Sewer Fund, which are immaterial in amount, have not been recognized.

Other Assets - Other assets held are recorded and accounted for at cost.

Property, Plant, and Equipment - Property, plant and equipment acquired for proprietary funds is capitalized in the respective funds to which it applies

Property, plant, and equipment is stated at cost. Where cost could not be determined from the available records, estimated historical cost was used to record the estimated value of the assets. Assets acquired by gift or bequest are recorded at their fair market value at the date of transfer.

Depreciation of exhaustible fixed assets used by proprietary funds is charged as an expense against operations, and accumulated depreciation is reported on the proprietary funds' balance sheets. Depreciation has been provided over the estimated useful lives using the straight-line method of depreciation.

Fund Equity - The unreserved fund balances for governmental funds represent the amount available for budgeting

Village of Kingston
Notes To Financial Statements
For Year Ended February 29, 2004

future operations. The reserved fund balances for governmental funds represent the amount that has been legally identified for specific purposes. Unreserved retained earnings for proprietary funds represent the net assets available for future operations or distribution. Reserved retained earnings for proprietary funds represent the net assets that have been legally identified for specific purposes.

Revenues and Expenditures/Expenses - Generally, Revenues for governmental funds, tax revenues, fees, and nontax revenues are recognized when received. Grants from other governments are recorded when qualifying expenditures are paid. Expenditures for governmental funds are recorded when paid.

Property Tax Revenues - Property taxes are levied on December 1 based on the assessed value of property as listed on the previous December 31. Assessed values are an approximation of market value. A revaluation of all real property must be made every year.

Property taxes are recognized as revenue when they are collected.

Vacation, Sick Leave, and Other Compensated Absences - The Village does not have any contracts or agreements with its employees or elected officials which require the payment of compensation during absence from duty nor do any such benefits vest to the right of the employee or elected official.

Total Columns - The Combined Financial Statements include total columns that are described as memoranda only. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Interfund transactions have not been eliminated from the total column of each financial statement.

2. Stewardship, Compliance, and Accountability

Michigan Compiled Laws, Section 129.91, authorizes the Local Unit to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

3. Cash and Investments

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the Local Unit's cash deposits are as follows:

	Carrying Amount	Bank Balances
Insured (FDIC)	\$ 642,602	\$ 642,602
Uninsured and Uncollateralized	<u>0</u>	<u>0</u>
Total Deposits	<u><u>\$ 642,602</u></u>	<u><u>\$ 642,602</u></u>

All cash deposits and investments of the Village are held by the Village in the Village's name.

Village of Kingston
Notes To Financial Statements
For Year Ended February 29, 2004

The GASB Statement 3 risk disclosures for the Local Unit's investments are as follows:

Investment Type	(1)	(2)	(3)	Carrying Amount	Market Value
Risk Categorized Operating Funds		NONE			
US Treasury Bonds					
Investment in Deferred Compensation Plans					
Total Risk-Categorized Investments					

The cash and investments that are represented by specific identifiable investment securities are classified as to credit risk by the three categories described below:

- Category 1 Insured or registered, or securities held by the Village or its agent in the Village's name.
- Category 2 Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Village's name.
- Category 3 Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the Village's name.

4. Property Taxes

The Village is responsible for collecting and distributing property taxes in accordance with enabling state legislation. Property taxes become a lien on the first day of July of the levy year and may be paid by the following October 1.

Property taxes are not recognized in compliance with NCGAI-3 which states that such revenue is recorded when it becomes measurable and available. Property taxes are recorded as revenue when collected.

The Village levied the following taxes:

General Governmental Services	9.1151	mills
Fire Fund	1.3671	mills
Municipal Highway Fund	4.1017	mills
Water Fund	1.8229	mills
Total	16.4068	

5. Due To/From Other Funds

As of February 29, 2004, interfund receivables and payables that resulted from various interfund transfers were as follows:

Village of Kingston
Notes To Financial Statements
For Year Ended February 29, 2004

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 20,000	\$ 0
Water Fund	<u>0</u>	<u>20,000</u>
Total	<u><u>\$ 20,000</u></u>	<u><u>\$ 20,000</u></u>

6. Property, Plant, and Equipment

A summary of proprietary fund type property, plant and equipment at February 29, 2004 follows:

	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Depreciable Life Years</u>
Land	\$ 15,000	\$ 0	
Water & Sewer System	523,954	278,517	50-60 Years
Water Tower	0	123,316	
Treatment Plant	<u>98,490</u>	<u>0</u>	50 Years
Total Cost	637,444	401,833	
Less Accumulated Depreciation	<u>362,763</u>	<u>138,708</u>	
Net Carrying Amount	<u><u>\$ 274,681</u></u>	<u><u>\$ 263,125</u></u>	

Depreciation expense is computed on the straight-line method.

7. Deficit Fund Balance or Retained Earnings Balances of Individual Funds

None

8. Comparative Data

Comparative total data for the prior year has not been presented.

9. Excess of Expenditures over Appropriations in Budgetary Funds

P.A. 621 of 1978, section 18 (1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Village actual expenditures and budgeted expenditures for the budgetary funds have been shown on a activity basis. The approved budgets of the Village for these budgetary funds were adopted to the activity level.

During the year ended February 29, 2004 the Village incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

Village of Kingston
Notes To Financial Statements
For Year Ended February 29, 2004

	<u>Total Appropriations</u>	<u>Amount of Expenditures</u>	<u>Budget Variance</u>
<u>General Fund</u>			
Transfer to Local Streets	\$ 0	\$ 12,019	\$ 12,019
<u>Fire Fund</u>			
Capital Outlay	31,800	34,300	2,500

10. Post Employment Benefits

The Village does not provide any post employment benefits.

11. Operating Transfers

During the year ended February 29, 2004 the Village's interfund transfers were as follows:

<u>Special Revenue Funds</u>	<u>Operating Transfers In</u>		<u>Operating Transfers Out</u>
Local Street Fund	\$ 5,650	Major Street Fund	\$ 5,650
Local Street Fund	\$ 12,019	General Fund	\$ 12,019
Total	<u>\$ 17,669</u>		<u>\$ 17,669</u>

12. Segment Information for Enterprise Funds

	<u>Sewer Fund</u>	<u>Water Fund</u>
Operating Revenue	\$ 28,431	\$ 28,710
Depreciation Expense	12,449	10,983
Operating Income (Loss)	(13,455)	1,073
Operating Grants, Entitlements, & Shared Revenues	0	0
Operating Interfund Transfers In (Out)	0	0
Tax Revenues	0	8,497
Net Income (Loss)	(10,396)	1,389
Current Capital Transfers or Contributions	0	0
Additions To & (From) Fixed Assets	0	0
Net Working Capital	175,937	14,567
Total Assets	450,617	297,691
Bonded Debt	0	0
Total Equity	450,617	277,691

Village of Kingston
Notes To Financial Statements
For Year Ended February 29, 2004

13. Long-Term Debt

<u>Primary Government</u>	<u>Balance March 1, 2003</u>	<u>Additions (Reductions)</u>	<u>Balance February 29, 2004</u>
<u>Installment Note Payable</u>			
Spencer Model TM 1500 / FL-80 Pumper			
Dated November 8, 2002			
Interest at 5.32% due annually through January 15, 2017	\$ 227,193	\$ (30,339)	\$ 196,854
<u>Total Installment Note Payable</u>	<u>\$ 227,193</u>	<u>\$ (30,339)</u>	<u>\$ 196,854</u>

The annual principal and interest requirements for the years ending February 29, 2004 through 2008 for all debts outstanding as of February 29, 2004 are as follows:

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>Thereafter</u>
Installment Note Payable	\$ 21,362	\$ 21,362	\$ 21,362	\$ 21,362	\$ 21,362	\$ 170,896
<u>Total for Village</u>	<u>\$ 21,362</u>	<u>\$ 21,362</u>	<u>\$ 21,362</u>	<u>\$ 21,362</u>	<u>\$ 21,362</u>	<u>\$ 170,896</u>

Total Interest expense for the Village for the year ended February 29, 2004 was \$11,023.

The following is a schedule of the Installment Note Payable:

Installment Note Payable

Spencer Model TM 1500 / FL - 80 Pumper
Dated November 8, 2002
Principal and Interest payable annually
Authorized Issue \$246,281

<u>Payment Date</u>	<u>Payment</u>	<u>Interest</u>	<u>Principal</u>	<u>Remaining Balance</u>
01/15/04	\$ 21,362	\$ 11,023	\$ 10,339	\$ 196,853
01/15/05	21,362	10,473	10,889	185,964
01/15/06	21,362	9,894	11,468	174,496
01/15/07	21,362	9,284	12,078	162,418
01/15/08	21,362	8,641	12,721	149,697
01/15/09	21,362	7,964	13,398	136,299
01/15/10	21,362	7,252	14,111	122,188
01/15/11	21,362	6,501	14,861	107,327
01/15/12	21,362	5,710	15,652	91,675
01/15/13	21,362	4,877	16,485	75,190
01/15/14	21,362	4,000	17,362	57,828
01/15/15	21,362	3,077	18,286	39,542
01/15/16	21,362	2,104	19,259	20,283
01/15/17	21,362	1,079	20,283	0
<u>Total Installment Note Payable</u>	<u>\$ 299,068</u>	<u>\$ 91,879</u>	<u>\$ 207,192</u>	

Village of Kingston
Notes To Financial Statements
For Year Ended February 29, 2004

14. Risk Management

The Village is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, as well as medical and workman's compensation benefits provided to employees. The Village has purchased commercial insurance for the various risks of loss stated above.

Settled claims for the commercial insurance have not exceeded the amount of coverage in any of the past three years. There was no reduction in coverage's obtained through commercial insurance during the past year.

Supporting Schedules

Village of Kingston
Combining Balance Sheet
All Special Revenue Funds
Cash Basis
February 29, 2004

<u>Assets</u>	<u>Major Street Fund</u>	<u>Local Street Fund</u>	<u>Municipal Street Fund</u>	<u>Fire Fund</u>	<u>Totals February 29, 2004</u>
Cash	\$ 36,207	\$ 1,914	\$ 0	\$ 755	\$ 38,876
Savings & Certificates of Deposit	42,190	13,262	66,883	67,493	189,828
<u>Total Assets</u>	<u>\$ 78,397</u>	<u>\$ 15,176</u>	<u>\$ 66,883</u>	<u>\$ 68,248</u>	<u>\$ 228,704</u>
<u>Fund Balance</u>					
Fund Balances - Unreserved	\$ 78,397	\$ 15,176	\$ 66,884	\$ 68,247	\$ 228,704
<u>Total Fund Balance</u>	<u>\$ 78,397</u>	<u>\$ 15,176</u>	<u>\$ 66,884</u>	<u>\$ 68,247</u>	<u>\$ 228,704</u>

The notes are an integral part of the statements.

Village of Kingston

Combined Statement of Revenues, Expenditures &
Changes in Fund Balances - Cash Basis
All Special Revenue Funds
For The Year Ended February 29, 2004

	Major Street Fund	Local Street Fund	Municipal Street Fund	Fire Fund	Totals February 29, 2004
<u>Revenues</u>					
Fire Runs & Standby Fees	\$ 0	\$ 0	\$ 0	\$ 45,855	\$ 45,855
State Shared Revenues	22,600	10,605	0	0	33,205
Interest Earnings	748	69	1,053	5,128	6,998
County Bridge Tax / Donations	4,324	0	2,154	6,561	13,039
Property Taxes	0	0	19,121	6,372	25,493
<u>Total Revenues</u>	<u>27,672</u>	<u>10,674</u>	<u>22,328</u>	<u>63,916</u>	<u>124,590</u>
<u>Expenditures</u>					
Highway & Street Maintenance	12,780	28,262	0	0	41,042
Fire Protection	0	0	0	118,920	118,920
Street Lighting / Miscellaneous	0	0	11,322	0	11,322
<u>Total Expenditures</u>	<u>12,780</u>	<u>28,262</u>	<u>11,322</u>	<u>118,920</u>	<u>171,284</u>
<u>Excess of Revenues Over (Under) Expenditures</u>	<u>14,892</u>	<u>(17,588)</u>	<u>11,006</u>	<u>(55,004)</u>	<u>(46,694)</u>
<u>Other Financing Sources (Uses)</u>					
Net Operating Transfers In (Out)	(5,650)	17,669	0	0	12,019
<u>Excess of Revenues & Other Sources Over (Under) Expenditures & Other Uses</u>	<u>9,242</u>	<u>81</u>	<u>11,006</u>	<u>(55,004)</u>	<u>(34,675)</u>
<u>Fund Balance - March 1, 2003</u>	<u>69,155</u>	<u>15,095</u>	<u>55,878</u>	<u>123,251</u>	<u>263,379</u>
<u>Fund Balance - February 29, 2004</u>	<u>\$ 78,397</u>	<u>\$ 15,176</u>	<u>\$ 66,884</u>	<u>\$ 68,247</u>	<u>\$ 228,704</u>

The notes are an integral part of the statements.

Village of Kingston

Combined Statement of Revenues, Expenditures &
Changes in Fund Balances - Cash Basis
All Governmental Fund Types
For The Year Ended February 29, 2004

	Major Street Fund			Local Street Fund			Municipal Street Fund		
	Budget	Actual	Over (Under) Budget	Budget	Actual	Over (Under) Budget	Budget	Actual	Over (Under) Budget
Revenues									
State Shared Rev. / Gas & Weight Tax	\$ 22,575	\$ 22,600	\$ 25	\$ 10,100	\$ 10,605	\$ 505	\$ 0	\$ 0	\$ 0
Property Taxes	0	0	0	0	0	0	19,000	19,121	121
Interest Earnings	705	748	43	65	69	4	1,025	1,053	28
County Bridge / Road Tax	4,300	4,324	24	0	0	0	2,025	2,154	129
<u>Total Revenues</u>	<u>27,580</u>	<u>27,672</u>	<u>92</u>	<u>10,165</u>	<u>10,674</u>	<u>509</u>	<u>22,050</u>	<u>22,328</u>	<u>278</u>
Expenditures									
Administrative	737	605	132	620	605	15	121	89	32
Routine maintenance	9,349	8,121	1,228	25,341	22,197	3,144	10,644	0	10,644
Traffic Services	0	0	0	0	0	0	0	0	0
Snow & Ice Removal	11,844	4,054	7,790	5,587	5,460	127	0	0	0
Street Lighting	0	0	0	0	0	0	11,285	11,233	52
<u>Total Expenditures</u>	<u>21,930</u>	<u>12,780</u>	<u>9,150</u>	<u>31,548</u>	<u>28,262</u>	<u>3,286</u>	<u>22,050</u>	<u>11,322</u>	<u>10,728</u>
Excess of Revenues Over (Under) Expenditures	<u>5,650</u>	<u>14,892</u>	<u>9,242</u>	<u>(21,383)</u>	<u>(17,588)</u>	<u>3,795</u>	<u>0</u>	<u>11,006</u>	<u>11,006</u>
Other Financing Sources (Uses)									
Local Street Fund	(5,650)	(5,650)	0	0	0	0	0	0	0
Major Street Fund	0	0	0	5,650	5,650	0	0	0	0
General Fund	0	0	0	0	12,019	12,019	0	0	0
<u>Total Other Financing Sources</u>	<u>(5,650)</u>	<u>(5,650)</u>	<u>0</u>	<u>5,650</u>	<u>17,669</u>	<u>12,019</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess of Revenues & Other Sources Over (Under) Expenditures & Other Uses	<u>0</u>	<u>9,242</u>	<u>9,242</u>	<u>(15,733)</u>	<u>81</u>	<u>15,814</u>	<u>0</u>	<u>11,006</u>	<u>11,006</u>
Fund Balances - March 1, 2003	<u>0</u>	<u>69,155</u>	<u>69,155</u>	<u>15,733</u>	<u>15,095</u>	<u>(638)</u>	<u>0</u>	<u>55,878</u>	<u>55,878</u>
Fund Balances - February 29, 2004	<u>\$ 0</u>	<u>\$ 78,397</u>	<u>\$ 78,397</u>	<u>\$ 0</u>	<u>\$ 15,176</u>	<u>\$ 15,176</u>	<u>\$ 0</u>	<u>\$ 66,884</u>	<u>\$ 66,884</u>

The notes are an integral part of the statements.

Village of Kingston
Fire Fund
Statement of Revenues, Expenditures &
Changes in Fund Balance - Cash Basis
Actual Compared to Budget - Special Revenue Funds (Concluded)
For The Year Ended February 29, 2004

	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
<u>Revenues</u>			
Property Taxes	\$ 6,300	\$ 6,372	\$ 72
Charges for Services Rendered			0
Fire Runs	21,600	21,880	280
Fire Protection Standby Fees	23,975	23,975	0
Interest Earnings	4,915	5,128	213
Contributions / Miscellaneous	4,030	6,561	2,531
<u>Total Revenues</u>	<u>\$ 60,820</u>	<u>\$ 63,916</u>	<u>\$ 3,096</u>
<u>Expenditures</u>			
Salaries, Wages & FICA	\$ 12,945	\$ 11,319	\$ 1,626
Operating Supplies	10,790	9,841	949
Repairs & Maintenance	7,700	7,061	639
Fire Training	1,550	1,284	266
Insurance	6,975	6,966	9
Public Utilities	4,022	3,886	136
Miscellaneous	4,500	2,901	1,599
Capital Outlay	31,800	34,300	(2,500)
Debt Service - Principal	30,377	30,339	38
Debt Service - Interest	11,023	11,023	0
<u>Total Expenditures</u>	<u>121,682</u>	<u>118,920</u>	<u>2,724</u>
<u>Excess of Revenues Over (Under) Expenditures</u>	<u>(60,862)</u>	<u>(55,004)</u>	<u>5,858</u>
<u>Fund Balances - March 1, 2003</u>	<u>60,862</u>	<u>123,251</u>	<u>62,389</u>
<u>Fund Balances - February 29, 2004</u>	<u>\$ 0</u>	<u>\$ 68,247</u>	<u>\$ 68,247</u>

The notes are an integral part of the statements.

Village of Kingston

Overall Fund Analysis

February 29, 2004

<u>Fund</u>	<u>Rating</u>	<u>Cash Balances</u>		
		<u>Feb. 29, 2004</u>	<u>Feb. 28, 2003</u>	<u>Feb. 28, 2002</u>
General Fund	Very Good	\$ 203,395	\$ 228,462	\$ 272,494
Major Streets	Good	78,397	69,155	56,734
Local Streets	Good	15,176	15,095	33,764
Municipal Streets	Very Good	66,883	55,878	47,558
Fire Fund	Good	68,248	123,251	128,831
Sewer Fund	Good	175,937	173,883	163,108
Water Fund	Good	34,567	22,194	11,599
<u>Total Operating Fund's Cash Balances</u>		<u>\$ 642,603</u>	<u>\$ 687,918</u>	<u>\$ 714,088</u>

Village of Kingston

Overall Fund Analysis

February 29, 2004

<u>Fund</u>	<u>Operating Revenues</u>	<u>Operating Expenditures</u>	<u>Transfers In (Out)</u>	<u>Increase (Decrease)</u>
General Fund	\$ 164,532	\$ 178,927	\$ (12,019)	\$ (26,414)
Major Streets	27,672	12,780	(5,650)	9,242
Local Streets	10,674	28,262	17,669	81
Municipal Streets	22,328	11,322	0	11,006
Fire Fund	63,916	118,920	0	(55,004)
Sewer Fund	28,431	41,886 (1)	0	(13,455)
Water Fund	37,207	36,133 (1)	0	1,074
<u>Total</u>	<u>\$ 354,760</u>	<u>\$ 428,230</u>	<u>\$ 0</u>	<u>\$ (73,470)</u>

(1) This includes depreciation of:

Sewer Fund	\$ 12,449
Water Fund	\$ 10,983

LEHN L. KING
CERTIFIED PUBLIC ACCOUNTANT

3078 S. MAIN STREET
MARLETTE, MICHIGAN 48453

Phone 989-635-3113
Fax 989-635-5580

May 15, 2004

To the Village Council
Village of Kingston
Tuscola County, Michigan

In accordance with your request, I have made an examination of the financial statements of the Village of Kingston for the fiscal year ended February 29, 2004. During the course of my examination, no material items came to my attention.

From an overall viewpoint, the Village of Kingston is in good financial condition. The financial records maintained by the clerk are in good order.

I thank the Village officials for the cooperation I received in the completion of this examination. Should you have any questions in connection with the above, please contact me at your convenience.

Sincerely,

Lehn King

Lehn L. King
Certified Public Accountant